

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 ISO-00 SP-02 USIA-06 AID-05
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 INT-05 ERDA-05 DODE-00 FPC-01 H-01
L-03 PM-04 OES-06 ACDA-07 FEA-01 /123 W
-----290213Z 029115 /70

R 281400Z APR 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3317

INFO AMEMBASSY BRUSSELS

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DEPT PASS COMMERCE, EXIM, OPIC, TREASURY, INTERIOR (BUREC)

E.O. 11652: N/A

TAGS: EGEN, CG

SUBJECT: INGA-SHABA TRANSMISSION LINE

REF: (A) KINSHASA 3407, (B) KINSHASA 3466

1. CIS PROJECT MANAGER ADAMS HAS SENT LETTER TO SNEL DIRECTOR INFORMING HIM THAT, IN VIEW OF FACT THAT CIS HAS NOT RECEIVED LOCAL CURRENCY IN ACCORDANCE WITH PREVIOUSLY AGREED UPON SCHEDULE, CIS IS REDUCING ITS EXPATRIATE STAFF BY APPROXIMATELY ONE-THIRD AND ITS LOCAL STAFF BY 400 EMPLOYEES. SUCH A LEVEL IS CONSISTENT WITH BUDGET OF ONE MILLION ZAIRES PER MONTH, OR APPROXIMATELY AMOUNT OF LOCAL CURRENCY RECEIVED IN 1976. LETTER POINTS OUT THAT REDUCTION WILL RESULT IN EXTENSION OF PROJECT INTO 1980 AND FURTHER INCREASE DOLLAR COSTS PROBABLY AS MUCH AS AN ADDITIONAL \$25 MILLION.

2. AMBASSADOR WILL GIVE COPIES OF LETTER TO NGUZA AND MOBUTU.

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3. COMMENT: CLEARLY THE GOZ IS FACED WITH A DILEMMA. IT WILL BE DIFFICULT IF NOT IMPOSSIBLE FOR THE GOZ TO FURNISH ADEQUATE LOCAL CURRENCY TO COMPLETE THE CIS PROJECT IN THE OPTIMUM TIME AT THE OPTIMUM TOTAL COST AND STILL REMAIN WITHIN STRICT CREDIT CEILINGS IMPOSED BY THE IMF (SEE REF A). WE WILL ENDEAVOR TO DO ALL POSSIBLE TO ENSURE THAT THE HIGHEST LEVEL OF THE GOZ UNDERSTAND THE DILEMMA. CLEARLY THEY MUST MAKE A CHOICE AS TO THE

PRIORITY OF THE INGA-SHABA TRANSMISSION LINE. END COMMENT.

4. TEXT OF LETTER TO SNEL FOLLOWS:

BEGIN QUOTE

WE WRITE TO YOU ABOUT THE PROJECT FINANCING AND REFER TO OUR LETTER K/SNEL-907, DATED 12 APRIL 1977, THE MEETING BETWEEN YOURSELF AND OUR MR. MCMURREN ON 8 APRIL AND OUR LETTER K/SNEL 871 DATED 26 FEBRUARY 1977 TOGETHER WITH PREVIOUS CORRESPONDENCE ON THE SUBJECT OF LOCAL CURRENCY FINANCE.

OUR PREVIOUS BUDGETS FOR LOCAL CURRENCY FIRST SUBMITTED IN NOVEMBER 1976 ENVISAGED A SCALE OF OPERATIONS SUFFICIENT TO INSURE OPERATION OF THE PROJECT IN JANUARY 1979; OUR LETTER K/SNEL 871 SUBMITTED A BUDGET REQUIREMENT OF 20.8 MILLION ZAIRES FOR 1977.

FOLLOWING YOUR MEETING WITH MR. MCMURREN, THE BUDGET REQUIREMENT WAS REVISED TO ONE MILLION ZAIRES PER MONTH, WITH RESULTING SCHEDULED DATE OF OPERATION EXTENDED TO JANUARY/FEBRUARY 1980 AND TRANSMITTED WITH OUR LETTER K/SNEL-907 OF 12 APRIL.

AT THIS TIME, THERE HAS BEEN NO REPLY, INFORMALLY OR OTHERWISE, FROM YOUR OFFICE; HOWEVER, HISTORICALLY WE HAVE RECEIVED ZAIRE CURRENCY AT A RATE WHICH HAS AVERAGED ONE MILLION ZAIRES PER MONTH.

ON THE ASSUMPTION THAT THE BUDGET OF ONE MILLION ZAIRES PER MONTH WILL BE IMPLEMENTED, WE ARE PROCEEDING TO RESTRUCTURE OUR ORGANIZATION TO MEET THESE CONDITIONS:

THE MAJOR CHANGES WILL BE:

1. CONCENTRATION ON CONSTRUCTION OF THE TRANSMISSION LINE INGA-KANANGA.
2. CURTAILMENT OF WORK AT INGA AND KOLWEZI CONVERTER STATIONS TO A CARE AND MAINTENANCE TYPE OPERATION FOR AT LIMITED OFFICIAL USE

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LEAST ONE YEAR.

3. RECEIPT, STORAGE AND MAINTENANCE OF PERMANENT MATERIAL FROM THE USA SCHEDULED THROUGH SEPTEMBER 1977.

4. REDUCTION OF EXPATRIATE PERSONNEL BY APPROXIMATELY 100 PERSONS AND ZAIROIS PERSONNEL BY APPROXIMATELY 400 PERSONS BY MID-MAY.

IN ORDER TO PERMIT AN ORDERLY TRANSITION, WE ANTICIPATE PUTTING THESE REDUCTIONS INTO EFFECT COMMENCING 25 APRIL AND TAKING ABOUT 4 WEEKS TO COMPLETE.

AS WE HAVE PREVIOUSLY POINTED OUT, WE ESTIMATE THAT THE DELAY IN PUTTING THE U.S. DOLLAR OVERRUN FINANCE INTO POSITION DURING 1976/7 HAS RESULTED IN FURTHER INFLATION AND OTHER COST INCREASES AMOUNTING TO APPROXIMATELY 25 MILLION DOLLARS, DETAILS OF THIS AMOUNT ARE UNDER STUDY AT THIS TIME.

THE EXTENSION OF THIS PROJECT INTO 1980 WILL RESULT IN FURTHER INCREASES IN DOLLAR COSTS, PROBABLY AS MUCH AS AN ADDITIONAL 25 MILLION DOLLARS.

WE HAVE BRIEFLY REVIEWED THE EFFECTS THAT THE LACK OF CONTINUITY OF OPERATIONS HAS ON THE COST OF THE PROJECT. IT IS

OUR OPINION THAT A PROJECT OF THIS TYPE (SPREAD OUT OVER 1700 KM) AND MAGNITUDE CANNOT BE ECONOMICALLY OPERATED AT A LOW LEVEL OF ACTIVITY. THE INHERENT LEVEL OF SUPPORT NECESSARY IN ADMINISTRATION, WAREHOUSING AND SPECIAL TRANSPORTATION (AIRCRAFT AND HELICOPTERS) CAN SUPPORT AN OPTIMUM WORK FORCE IN THE FIELD; TO WORK AT A LOWER LEVEL OF EFFORT AS WE ARE NOW DOING, WILL REDUCE THE EFFICIENCY OF THE OPERATION AND RAISE THE OVERALL COST OF THE PROJECT.

WE OFFER AS A SUGGESTION THAT BECAUSE OF THE PRESENT FINANCIAL SITUATION, SNEL SHOULD CONSIDER CESSATION OF ALL CONSTRUCTION WORK AND THE REDUCTION OF CIS OPERATION TO THAT OF:

1. RECEIVING AND STORAGE OF INCOMING MATERIALS BEING SHIPPED FROM USA.
2. REPAIR OF CONSTRUCTION PLANT AND EQUIPMENT.
3. CARE AND MAINTENANCE OF PERMANENT PLANT MATERIAL ALREADY RECEIVED AND TO BE RECEIVED IN ZAIRE.

WE ARE PREPARED TO DISCUSS THIS PROPOSAL AT SOME LENGTH AT LIMITED OFFICIAL USE

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YOUR CONVENIENCE. END QUOTE.
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Message Attributes

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Copy: SINGLE
Sent Date: 28-Apr-1977 12:00:00 am
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